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C O N F I D E N T I A L SECTION 01 OF 03 BONN 16754

E.O. 11652: GDS

TAGS:

SUBJECT: ECONOMIC PROGRAMS AS PRELIMINARY FRG

CAMPAIGN ISSUES

SUMMARY: INTRA-GOVERNMENT CONTROVERSY ABOUT INVESTMENT
CONTROL AND INTERNAL CDU/CSU ARGUMENTS ABOUT THE BASIC
ECONOMIC PRINCIPLES OF THE CHRISTIAN DEMOCRATIC OPPOSI-
TION ARE MAKING DAILY HEADLINES, AS POLITICAL ACTIVITY
CONTINUES UNABATED THROUGHOUT THE FRG. THE LATEST
BATTLING IS CONCENTRATED ON EFFORTS OF THE TWO PRINCIPAL
ANTAGONISTS, SPD/FDP AND CDU/CSU, TO ORGANIZE THEIR
FORCES. THE RESULTS THUS FAR MAKE CLEAR THAT ALLIANCES
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IN THE CAMPAIGN ARE NOT GOING TO STAY CEMENTED EASILY.

END SUMMARY.

1. THE FIRST ROUND OF THE 1976 ELECTION CAMPAIGN CENTERED ABOUT THE SEPTEMBER BUNDESTAG VERBAL DUEL BETWEEN CHANCELLOR SCHMIDT AND CDU/CSU OPPOSITION CANDIDATE KOHL ON HOW TO CORRECT THE FEDERAL BUDGETARY IMBALANCE AND REVIVE THE SAGGING GERMAN ECONOMY. ACTION HAS NOW MOVED TO THE OPPOSING CORNERS HOWEVER, AS BOTH THE GOVERNMENT AND THE OPPOSITION COALITION ATTEMPT TO CONTEND WITH DIVISIVE ECONOMIC ISSUES--AND PERSONALITIES--THAT HAVE SURFACED PROMINENTLY DURING THE PAST WEEKS.

2. INVESTMENT CONTROL (INVESTITIONSLENKUNG) IS A TOPIC THAT IS CAUSING HEARTBURN TO MODERATE AND RIGHT WING SOCIAL DEMOCRATS AS WELL AS TO THE FREE DEMOCRATS IN THE GOVERNMENT COALITION. THIS THEME, WHICH ADVOCATES MORE INVOLVEMENT BY THE GOVERNMENT IN GUIDING ECONOMIC ACTIVITY, HAS COME TO THE FORE AS A RESULT OF SEVERAL REGIONAL SPD GROUPS HAVING COME OUT IN FAVOR OF SUCH AN APPROACH. IN THE LEFT-WING SPD CENTERS OF SOUTH HESSE, WESTPHALIA AND SCHLESWIG-HOLSTEIN, A MAJORITY OF DELEGATES TO REGIONAL PARTY CONVENTIONS VOTED IN FAVOR OF INVESTMENT CONTROL AS A PARTY PLANK. ALTHOUGH STILL RATHER VAGUE, THIS POLICY SEEMS TO INCLUDE A MACRO-ECONOMIC "FRAME PLAN" AND THE INTEGRATION OF CREDIT POLICIES INTO GOVERNMENTAL ECONOMIC POLICIES, IMPLYING A CURTAILMENT OF THE INDEPENDENCE OF THE CENTRAL BANK. THE HARD CORE OF THE "FRAME PLAN" IS SUPPOSED TO BE IN THE INFLUENCING OF INVESTMENTS. ONE SPD THEORETICIAN ENVISAGES THE ESTABLISHMENT OF A NEW FEDERAL AGENCY TO WHICH BUSINESS WILL BE REQUIRED TO REPORT ITS INVESTMENT PLANS. THE AGENCY WOULD COLLECT THE MATERIAL FOR CONSIDERATION BY "BRANCH COUNCILS" (CHEMICALS, MACHINERY, AUTOMOBILES, ETC.). SUCH COUNCILS (REPRESENTATIVES COMING ONE-THIRD EACH FROM GOVERNMENT, UNIONS AND MANAGEMENT) WOULD EXAMINE INVESTMENT PLANS ON THE BASIS OF SOME SORT OF SYSTEM OF PRIORITY OF NEED.

3. WILLY BRANDT WAS PRESENT AT THE WESTPHALIA REGIONAL
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CONVENTION WHICH CAME OUT IN SUPPORT OF INVESTITION-LENKUNG. HE REPORTEDLY SUPPORTED AN OPEN DEBATE ON THESE ISSUES, POINTING TO DISCUSSIONS THAT ARE GOING ON ELSEWHERE SUCH AS IN THE US AND FRANCE ABOUT HOW TO CREATE A GOOD BASIC FRAMEWORK FOR THE DEVELOPMENT OF THE ECONOMY. HE SUGGESTED THAT A PARTY LIKE THE SPD NEEDS PRAGMATIC PEOPLE FOR THE TASKS IMMEDIATELY AHEAD, LIKE SCHMIDT, AS WELL AS THEORIZERS FOR THE FUTURE.

4. THE GOVERNMENT HAS STATED THAT IT IS CLEARLY OPPOSED TO INVESTITIONSLENKUNG AND THAT WHAT IS CURRENTLY IMPORTANT IS NOT A CONTROL OF INVESTMENT BUT STIMULATION OF PRODUCTIVE INVESTMENT. FINANCE MINISTER APEL SAID THAT THE SPD HELPED TO ESTABLISH THE MARKET ECONOMY AND WILL NOT HAVE IT RUINED BY SUCH NONSENSE AS INVESTITIONSLENKUNG. CHANCELLOR SCHMIDT HAS ISSUED A CLEAR CUT "NO" AS WELL. PROGNOSTIC, DIAGNOSTIC, AND STATISTICAL INSTRUMENTS MUST BE IMPROVED, ACCORDING TO SPD ECONOMIC SPOKESMAN EHRENBURG, BUT THERE WILL BE NO

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MEASURES FOR COMPULSORY REGISTRATION OF INVESTMENT PLANS.

5. FDP ECONOMICS MINISTER FRIDERICH HAS BEEN EVEN MORE BLUNT IN HIS CRITICISM. FRIDERICH HAS MADE QUITE CLEAR ON SEVERAL OCCASIONS RECENTLY THAT SPD ADOPTION OF THE INVESTMENT CONTROL POLICY PROPOSALS WOULD FORCE THE FDP TO RECONSIDER ITS MEMBERSHIP IN THE GOVERNMENT COALITION.

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6. SPD ADVOCATES OF INVESTMENT CONTROL MAINTAIN THAT TOTAL NATIONALIZATION OF THE BANKING SYSTEM IS NOT THEIR PRESENT INTENTION. THEY POINT TO INDIRECT INVESTMENT CONTROL WHICH IS ALREADY EVIDENT IN THE FRG, FOR EXAMPLE THE SUBSIDIZATION OF THE BERLIN ECONOMY AND OF INDUSTRIES LOCATED ALONG THE DEPRESSED AREAS BORDERING ON THE GDR AND CSSR. INVESTMENT CONTROL OPPONENTS ON THE OTHER HAND HAVE NIGHTMARISH VISIONS OF A TOTAL GOVERNMENT CONTROL. ON OCTOBER 6, FOR EXAMPLE, THE HEAD OF THE METAL WORKERS UNION DECLARED HIS OPPOSITION TO INVESTMENT CONTROL ON GROUNDS THAT "BUREAUCRATS" ARE INCAPABLE OF PROPERLY CONTROLLING THE ECONOMY, A TASK BEST LEFT TO MANAGEMENT AND LABOR.

7. THE ISSUE HAS ALSO CREATED CONSIDERABLE DEBATE WITHIN THE RANKS OF THE SPD PLATFORM COMMITTEE PRESENTLY DRAFTING THE ECONOMIC POLICY GUIDELINES FOR ADOPTION AT THE PARTY'S NATIONAL CONVENTION NEXT MONTH IN MANNHEIM. A RANKING SPD STAFF MEMBER INFORMED AN EMBOFF OCTOBER 8 THAT THE SUBJECT HAS SPARKED BITTER ARGUMENTATION WITHIN THIS ECONOMIC PLATFORM GROUP HEADED BY PETER VON OERTZEN. SPD FRAKTION LEADER WEHNER HAS BECOME VERY MUCH INVOLVED IN TRYING TO MODERATE THE ISSUE. IT APPEARS THAT THE MAJORITY OF THE COMMITTEE MEMBERS WILL BE SOLIDLY AGAINST ANY INCLUSION OF INVESTMENT CONTROL ADVOCACY IN THE FINAL RECOMMENDATIONS. NEVERTHELESS, PARTY LEADER BRANDT HAS STATED THAT THIS IS A SUBJECT THAT WILL MERIT OPEN DISCUSSION AT THE MANNHEIM CONVENTION.

8. THE CHRISTIAN DEMOCRATS ARE ALSO EXPERIENCING DIFFICULTIES IN ATTEMPTS TO HAMMER OUT VIABLE ALTERNATIVE ECONOMIC PROPOSALS, AN EFFORT WHICH HAS NOT

BEEN MADE EASIER BY THE WIDENING PERSONALITY CLASH
BETWEEN CDU SECRETARY GENERAL BIEDENKOPF AND CSU
LEADER STRAUSS. BIEDENKOPF INITIATED THIS LATEST
REOPENING OF OLD CDU/CSU WOUNDS WITH AN INTERVIEW IN
THE SEPTEMBER 29 "DER SPIEGEL", IN WHICH HE NOT ONLY
STRESSED THE DOMINANT ROLE THAT CHANCELLOR-CANDIDATE
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KOHL WILL PLAY IN DETERMINING THE OPPOSITION COALITION
STRATEGY, BUT ALSO DECLARED THAT THE 1947 AHLENER
PROGRAM OF THE CDU REMAINED A VALID STATEMENT OF THE
PARTY'S AIMS. FOR THE CSU IT WAS INSUFFERABLE THAT
STRAUSS SHOULD THUS BE PUBLICLY PUSHED OUT OF THE
FRONT-LINE DECISION-MAKING PROCESS, DESPITE THE
AGREEMENT MADE LAST JUNE 19 THAT THE TWO COALITION
FORCES WOULD WORK TOGETHER. BIEDENKOPF'S AHLENER
PROGRAM COMMENT LIKEWISE INFURIATED THE CSU, IN THAT
THIS 1947 STATEMENT OF PRINCIPLES-- -- STILL POPULAR
WITH SOME CDU LABOR SUPPORTERS-- -- REPUDIATED
CAPITALISM AND CALLED FOR CO-DETERMINATION AND
NATIONALIZATION OF SOME INDUSTRIES AS WELL. IN ONE
OF ITS SHARPEST ATTACKS EVER MADE AGAINST A CDU
LEADER, THE CSU MOUTHPIECE "BAYERN KURIER" IN ITS
OCTOBER 11 ISSUE BLASTS THIS BIEDENKOPF VIEW

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AS HAVING BEEN LONG SINCE OVERTAKEN BY THE ERHARD MARKET
SYSTEM PHILOSOPHICAL BASIS.

9. THE FORMER CHRISTIAN DEMOCRATIC CHANCELLOR, ALREADY
UPSET AT SOME OF THE NEW SOCIAL QUESTIONS RAISED BY
BIEDENKOPF IN LAST JUNE'S MANNHEIM PARTY STATEMENT,
ALSO HAS RISEN TO THE OFFENSE. ERHARD TELEGRAPHED
KOHL HIS DISPLEASURE AT THE "SPIEGEL" INTERVIEW AND
HAS SINCE DISCUSSED THE DISAGREEMENT IN A PRIVATE
MEETING WITH THE CDU LEADER.

10. KOHL HAS SOUGHT TO COOL TEMPERS, ALTHOUGH A
MEETING WITH STRAUSS TO DISCUSS THIS AND OTHER
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COALITION ISSUES HAS BEEN TEMPORARILY POSTPONED.
KOHL HAS IN THE MEANTIME DECLARED SUPPORT FOR
BIEDENKOPF, WHILE DISCOUNTING CDU DIFFERENCES WITH
THE CSU. KOHL MAINTAINED THAT THE AHLENER PROGRAM
IS STILL VALID AS A POLICY INsofar AS IT HAS BEEN
EXPANDED IN SUBSEQUENT CDU ECONOMIC STATEMENTS AT
DUSSELDORF IN THE LATE 1940'S, AND MORE RECENTLY IN
BERLIN, HAMBURG AND MANNHEIM CONVENTION DECLARATIONS.

11. THE CSU SEES HERE A CHALLENGE TO ITS CAMPAIGN
STRATEGY. THE "BAYERN KURIER" ATTACK ON BIEDENKOPF
CHARGED THE CDU SECRETARY GENERAL WITH TRYING TOO
HARD TO WIN THE SPD-FDP SWING VOTE, WHILE OPPOR-
TUNITIES TO PRESENT A SOLID ALTERNATE POLICY ARE
THEREBY MISSED. SUCH A STRATEGY, THE CSU JOURNAL
WARNED, COULD NOT ONLY COST THE CHRISTIAN DEMOCRATS
THE ELECTION BUT ALSO STRENGTHEN FOURTH PARTY

ADVOCATES.

12. BIEDENKOPF DOES INDEED SEEM TO BE TRYING TO FORMULATE AN OPPOSITION PLAN SOMEWHAT SIMILAR TO GOVERNMENT POLICIES. HE HAS ALREADY ANNOUNCED HIS CANDIDACY FOR THE NUMBER ONE POSITION ON THE NORTH RHINE WESTPHALIA LAND LIST, AND HE IS ALSO BEING PROMINENTLY MENTIONED AS A DIRECT ELECTION CANDIDATE FOR A BUNDESTAG SEAT IN BOCHUM, IN THE HEART OF THE RUHR. BIEDENKOPF APPARENTLY BELIEVES THAT WITH A MORE SOCIAL ORIENTED PROGRAM THE CHRISTIAN DEMOCRATS CAN FIND AN AUDIENCE IN TRADITIONALLY SOLID SPD WORKING CLASS AREAS.

13. A LATE MINUTE OCTOBER 10 INTERVIEW BY BIEDENKOPF WITH THE GERMAN PRESS AGENCY INDICATES THAT THE CDU SECRETARY GENERAL TOO PREFERS TO HAVE HIS AHLNR PROGRAM REMARKS VIEWED MORE IN A HISTORICAL THAN A FUTURISTIC CONTEXT. NONETHELESS, THE 1947 PROGRAM REMAINS AN OPEN ISSUE.

COMMENT: THE GOVERNMENT COALITION MAY FARE BETTER THAN THE OPPOSITION AT FORMULATING A SHORT-TERM ECONOMIC PROGRAM. THE CHANCELLOR HAS DECRIED INVEST-
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MENT CONTROL TALK. THAT SHOULD BE SUFFICIENT TO SETTLE THIS BUGABOO FOR THE PRESENT, ALTHOUGH IT WILL CERTAINLY BE A HOTLY DISCUSSED ISSUE AT THE NOVEMBER MANNHEIM CONVENTION. THE SWEDISH AMBASSADOR, WHO IS A PERSONAL FRIEND OF BRANDT, TOLD US THAT IN A RECENT PRIVATE CONVERSATION WITH BRANDT THE LATTER THOUGHT IT WOULD BE UNWISE TO TURN OFF THE LEFT WING COLD ON THIS ISSUE. HE REPORTEDLY SAID THAT WHAT HE, BRANDT, IS TRYING TO DO IS TO CHANNEL THE LEFT WING ENERGIES IN SUCH A WAY AS NOT TO THOROUGHLY ALIENATE THEM. ON THE OTHER HAND, HE RECOGNIZED THE DANGERS OF LETTING SUCH A POLICY DIRECTION GET OUT OF HAND. BRANDT'S PLAN WAS, ACCORDING TO THE AMBASSADOR, TO HAVE THE WHOLE ISSUE REFERRED TO A STUDY GROUP AND IN THIS WAY SIDETRACK INVESTMENT CONTROL WITHOUT HAVING IT DIVIDE THE PARTY.

CHRISTIAN DEMOCRAT LEADERS, ON THE OTHER HAND, MAY NOT BE ABLE TO ESTABLISH A CAMPAIGN STRATEGY THAT EASILY WHEN THEY REVIEW THEIR POLICIES AT AN OCTOBER 20 MEETING. KOHL IS NOT THE CHANCELLOR. BIEDENKOPF AND STRAUSS ARE BOTH NECESSARY TO HIS EFFORTS TO ACHIEVE THAT POST, AND THE SPLIT BETWEEN THESE TWO ADVERSARIES WITH WHICH HE IS ALLIED SEEMS TO BE

WIDENING. A MAJOR PROBLEM HERE IS THAT PERSONAL
DIFFERENCES BETWEEN BIEDENKOPF AND STRAUSS INTENSIFY
DOCTRINAIRE DISPUTES WHICH THE BIEDENKOPF INTERVIEW
LAID BARE.
HILLENBRAND

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